

# SUN OIL COMPANY 1965 ANNUAL REPORT

AR26



**Vigorous Station Expansion  
On Interstate Highway System  
Builds Sales for Sunoco**



## Contents

- 1 Broad Gains Achieved in 1965
- 4 Profits, Revenues Hit Record Highs
- 5 Oil Production, Reserves Advanced
- 9 Refineries Upgraded Product Quality
- 10 Transportation Efficiency Improved
- 11 Financial and Statistical Section
- 23 Sales Volume Rose to Record High
- 25 Research Advanced on Broad Front
- 27 Gains Recorded in Wages, Benefits
- 29 Subsidiaries Broadened Oil Search
- 32 Affiliates Expanded Operations



**Service Station Expansion Pushed Vigorously.** Construction of modern Sunoco service stations on new interstate highways and other promising locations was accelerated in 1965. Above, dealer discusses travel route with customer at new service station in North Carolina. Cover picture shows new outlet on Interstate 81 in Pennsylvania. Company had completed a total of 129 stations on the Interstate Highway System by the close of 1965.



# To the Stockholders and Employees of Sun Oil Company

MARCH  
28, 1966

**Y**OU WILL, WE BELIEVE, share management's satisfaction with the performance of the Sun organization in 1965.

The recorded gain of 24 per cent in income to \$84,835,000 brought our return on revenues up to 9 per cent, and on average Stockholders' Equity up to 10.4 per cent.

We are pleased that these results of our effort in 1965 were in better proportion to your investment. But a realistic appraisal requires more than a simple comparison of profit figures. It should be acknowledged, on the one hand, that earnings were substantially enhanced by the partial recovery of gasoline prices from the severely depressed levels of the recent past. On the other hand, because they are the factors upon which the future depends, significant emphasis should be given to the progress made in strengthening the physical and human resources of our Company, and to the extraordinarily sound financial condition shown by the year-end Statement of Financial Position.

Our Company served more people in 1965 than ever before. Revenues rose to \$942,036,000. New operating records were established, as examination of this report will show, and further improvements in operating efficiency were obtained. Net additions were again made to proved reserves of oil and gas in the United States and Canada, as well as in Venezuela. We were encouraged, in addition, by a discovery well of substantial potential that may indicate a commercial oil field on our jointly-held concession in the Persian Gulf.

Supporting these accomplishments has been a succession of years of heavy expenditures for expansion, modernization and the search for new reserves of petroleum.

Investment of even greater magnitude will be required in the years ahead. In 1965, excluding \$72,200,000 of investment in our subsidiary, Great Canadian Oil Sands Limited, our expenditures totaled \$149,200,000, and by contrast we anticipate putting \$174,000,000 into the business in 1966. In addition, Great Canadian will require some \$90,000,000 as it presses forward its project for the commercial production of synthetic crude

## Highlights of the Year

| Financial              | 1965          | 1964          |
|------------------------|---------------|---------------|
| Revenues               | \$942,036,000 | \$850,097,000 |
| Net Income             | \$ 84,835,000 | \$ 68,507,000 |
| Per Share              | \$5.03        | \$4.30        |
| Dividends:             |               |               |
| Cash                   | \$ 15,923,000 | \$ 15,160,000 |
| Stock                  | 6%            | 5%            |
| Operating (in barrels) |               |               |
| Net Production         | 82,997,000    | 81,399,000    |
| Crude Refined by Sun   | 93,515,000    | 90,287,000    |
| Crude Refined for Sun  | 5,665,000     | 1,985,000     |
| Sales of Products      | 107,360,000   | 99,772,000    |

oil from the huge Athabasca Tar Sands deposit.

To meet the accelerating need for capital, our option was exercised to draw \$50,000,000 under the credit agreement for \$100,000,000 arranged with a group of banks in 1964. In addition, a \$100,000,000 offering of debentures was placed, also at a favorable rate of interest. This financing, coupled with the growing profitability of operations, puts our Company in an excellent position to meet its capital commitments.

As much as efficient physical facilities and ample financial resources contribute to the success of any business, it is the abilities of people, their intelligence and dedication, that give it life and make it capable of growth. These are assets that do not appear on a balance sheet. Yet no assessment of the year is adequate without giving consideration to the quality of the human capital of our Company. That quality is well reflected in the excellence of the planning and effectuation of plans that made possible the results recorded in this report. For this we are grateful.

Educational and developmental opportunities for employees were expanded, and the Stock





**Board of Directors.** Sun directors assemble in board room at Philadelphia General Offices prior to their regular meeting. Standing, from left, are Donald P. Jones, comptroller; Darwin W. Ferguson, vice president; Joseph T. Wilson, Jr., secretary-treasurer; and Thomas S. Horrocks, vice president. Seated, from the left, are Clarence H. Thayer, senior vice

president; Wilburn T. Askew, vice president; Chalmer G. Kirkbride, vice president; Samuel B. Eckert; Robert G. Dunlop, president; J. Howard Pew, chairman; Jno. G. Pew, senior vice president; Kingsley V. Schroeder, vice president; Walter C. Pew; Elmer R. Bradley, general sales manager; and Charles L. Boyle, vice president. Board meets monthly.



Purchase Plan providing encouragement to the acquisition of ownership in the Company was continued. A funded, contributory pension plan was offered and at the start of 1966 the great majority of eligible employees were enrolled. Our Company assumed a substantial financial obligation for past service in instituting the plan. This obligation will be funded over a 30-year period.

Concurrently with the offer of the new plan, optional early retirement with a lifetime pension ranging up to 50 per cent of the regular wage or salary was made available to older employees, giving them an opportunity to choose the alternative yielding maximum personal advantage. Some 900 employees ranging in age from 55 to 65 exercised this option, with many leaving jobs which advances in methods and technology make it unnecessary to fill. In the transition, many supervisory and managerial openings are being made available to younger employees.

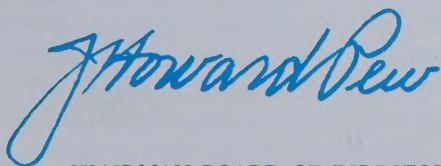
Quality in people, and in plants and equipment, is a precondition to quality in products. Our emphasis on quality in all these respects continued, and was reflected in improved profitability. Among other advances, it led in the case of products to sharp gains in sales of the higher-value blends of Blue Sunoco gasoline. The dollar value of gasoline sales rose materially, but the gain in physical volume did not match the goal that had been established earlier in the year. This is a cause for disappointment, as well as redoubled effort.

Our view of the outlook for the Sun organization in 1966 is one of optimism. We recognize that management at various levels of our Company will be increasingly preoccupied with challenges

arising from national concern about the quality of American life, and the health and beauty of our environment. We are conscious of the continuing balance-of-payments problem and its impact upon our affairs. Above all, we are alert to the dangers of existing inflationary conditions created by increases in the supply of money. Certainly all elements of society, government, labor and industry, must carefully weigh alternatives and consequences in any action that may raise costs beyond productivity, push up prices, or otherwise erode further the value of the dollar.

The most critical developments affecting the economic outlook likely will arise from the determination of the United States to confront effectively the expansionist aims of world communism. Barring a material change in the scope of this effort, a continuation of firm prices and a steady rise in demand for petroleum products is in prospect for 1966. Reflecting this outlook, as well as the demonstrated earning capacity and growth capability of our Company, management has recommended that stockholders consider a four-for-three stock split at the Annual Meeting on April 19, 1966. It is our desire that the increasing assets of the Company be more adequately reflected in its capital shares and that stockholders have a greater opportunity to benefit from the improved productivity of their investment.

We wish to thank you for the part you have played in the continuing success of our Company, and to extend also to Sunoco dealers and distributors our appreciation for their contributions to the fine results attained through our common effort in 1965.



CHAIRMAN, BOARD OF DIRECTORS



PRESIDENT

February 15, 1966  
Philadelphia, Pa.



## Record Profits, Revenues Marked 1965 As Year of Solid Progress for Sun

**S**HARPLY INCREASED REVENUES and net income marked 1965 as a year of solid financial progress for Sun Oil Company and subsidiaries.

Consolidated net income rose by 24 per cent to a record \$84,835,000. This was equivalent to \$5.03 on each of 16,852,408 full shares of stock outstanding at year-end. In 1964, Sun's net income of \$68,507,000 amounted to \$4.30 on each of 15,928,126 full shares outstanding.

**The subsidiary companies** increased their contribution to net income as Sun Pipe Line Company and Sun Oil Company Limited reported sizable gains in 1965 earnings. Venezuelan Sun's net dipped below the 1964 level, while Sun Ship recorded a profit for the first time since 1961.

Revenues advanced by almost 11 per cent to \$942,036,000 as sales and other operating income increased by \$86,948,000. Other income rose to \$16,793,000 due principally to sale of securities and an increase in interest earned.

Total costs and expenses climbed by some \$75,611,000 to \$857,201,000, reflecting the higher level of operations throughout the Company.

Direct tax payments of \$88,698,000 included in the above costs point up sharply the steadily growing tax load borne by Sun. Taxes paid by the Company increased by \$10,355,000 in 1965 due primarily to higher domestic and foreign income taxes. In addition, the Company collected \$271,529,000 in excise taxes from customers and payroll taxes from employees. Together, these taxes of \$360,227,000 exceeded by more than \$80,660,000 the combined total of profits, wages and benefits. This growing tax burden is a matter of constant concern to Sun management.

**Sun continued in 1965** to pay a quarterly dividend of 25 cents per share. In addition, a 6 per cent stock dividend resulted in the distribution of 978,557 shares to stockholders.

The Company closed the year in an excellent financial position with current assets more than two and one-half times current liabilities.

A major financial development in 1965 was Sun's decision to borrow money for its rapidly rising capital requirements. In November, the Com-



**Milestone.** Computer prints checks for 250th cash dividend.

pany sold through underwriters a \$100,000,000 issue of 25-year, 4½ per cent debentures. Earlier in the year, under the \$100,000,000 credit agreement arranged with a group of banks late in 1964, Sun had borrowed \$50,000,000 at 4½ per cent for the use of subsidiaries. Also included in long term debt is \$11,597,000 of convertible debentures sold by Great Canadian Oil Sands Limited to citizens of Alberta.

It is anticipated that the money will be used for a variety of capital programs, including new refining and marketing facilities and further investments in the Athabasca project.

This major departure from Sun's longstanding financial policy, closely coupled with the transfer of Great Canadian from an affiliate to subsidiary company status, resulted in several significant changes in the Statement of Financial Position. Short term investments increased by \$116,700,000 as some of the borrowed funds were invested advantageously until needed. The net decrease in securities of affiliated companies to \$45,199,000 reflects the Great Canadian change and a further advance of funds to Avisun.

**Sun's record capital** outlays of \$221,428,000 included 1965 Great Canadian expenditures of \$72,246,000 and intangible development costs of \$37,027,000. Gross investment in properties, plant and equipment soared to \$1,318,444,000.

The rise in minority interest is the result of including Great Canadian in the consolidation.

Another noteworthy achievement in 1965 was the \$7,325,000 decline in petroleum inventories, shared evenly by crude oil and refined products.

The new funded retirement plan for employees, adopted at year-end and discussed elsewhere in this Report, requires the Company to assume a substantial, but practicable, financial obligation.

In 1966, Sun anticipates record capital outlays of \$264,000,000, including \$37,000,000 in intangible development costs. Buttressed by an improved earnings position and by the availability of sizable funds borrowed at favorable rates of interest, Sun moves into the year in a good position to meet these steadily rising capital needs.



## Oil, Gas Output Advanced to New Highs; Expanding Search Added to Reserves

**S**UN'S EXPANDING EXPLORATION and production program boosted output of crude oil and natural gas to new highs in 1965 and, despite record production, also added to reserves.

Production of crude oil and natural gas liquids in the U.S. and Canada rose by almost 4 per cent over the 1964 level to 48,383,000 barrels. Venezuelan output of 34,614,000 barrels was virtually unchanged from the previous year.

The combined total of 82,997,000 barrels marked 1965 as the seventh straight year in which Sun's oil production has increased. This would have supplied some 89 per cent of Sun's 1965 refinery needs if import restrictions had not prevented full utilization of Venezuelan crude.

**Natural gas production** advanced by 3.5 per cent to some 330 billion cubic feet.

Despite the increasing costs of exploring for new oil and gas resources and the depressing effect of federal regulation of natural gas prices, reserves were increased through expanded development and the acquisition of producing properties.

Sun drilled or participated in 581 wells in the U.S. and Canada, compared with 578 in 1964. The Company's net interest was 415 wells, or 18 more than the previous year. Of these, 176 were oil producers, 65 were gas wells, and 174 were dry holes.

In foreign operations, the Company stepped up drilling in Venezuela with 33 wells and extended its search to new areas of the world (see page 29).

**North American discoveries** expected to result in extensive drilling in 1966 included an oil well in Pointe Coupee Parish, Louisiana, testing for completion late in the year, and a gas well in the Arkoma Field in LeFlore County and a gas-condensate well discovering the South Peek Field in Ellis County, both in Oklahoma.

A shallow discovery in Wilson County, South Texas, led to rapid development of the Gloriana Field. Other discoveries in the U.S. included LaBelle West and Umbrella Point West on the Texas coast, and the Hessen Field and a still unnamed field, both in St. Clair County, Michigan. Participation in the discovery of the Black Butte Field in Glenn County added California to the list

**Mission Completed.** Drilling mast is lowered after Kent No. 1 discovers oil in Pointe Coupee Parish in southern Louisiana.

**In Rugged Rockies.** Geologist searches for oil and gas clues across valley from Divide Creek Gas Field developed by Sun.





**Rig Floor Teamwork.** Drilling crew swings into action on a venture in Oklahoma, where Sun added discoveries in 1965.





of states in which Sun has production. The Sunoco-Felda Field in Florida, discovered late in 1964, had developed production of over 80,000 barrels per month by year-end.

In Canada, discoveries were made in the Pembina area of Alberta, at West Willow and, with another company, at Beaverdam, both in British Columbia.

**The ever-widening search** for petroleum was illustrated by geophysical exploration in the Gulf of Mexico as well as in Alaska, where acreage was leased in the Cook Inlet and Alaska Peninsula areas; acquiring an interest in over 500,000 acres in the Gaspé area of Quebec; and entry into an exploratory agreement for offshore California.

Sun continued to stress new exploration and producing techniques and the purchase of proven reserves. Among the important purchases were interests in the South Lake Pelto Block 20 Field off the Louisiana shore, in the Oungre Field of Alberta, and in the Levelland Field in Texas.

In addition to the search for conventional supplies of oil and gas, Sun also investigated other energy sources such as heavy oil sands, shales, coals and geothermal prospects.

**The natural gas picture**, though darkened by growing federal regulation, nevertheless had some solid accomplishments.

On the bright side were gains in reserves and signs of growing demand for new supplies. A market outlet for the Divide Creek Field of Colorado, discovered in 1958, was finally attained.

Regulatory harassment continued. The Supreme Court ruled that the sale by Sun and others of leaseholds in the Rayne Field of Louisiana was in effect a sale of gas and subject to control by the Federal Power Commission, although the FPC ruled otherwise at the time of the sale in 1959.

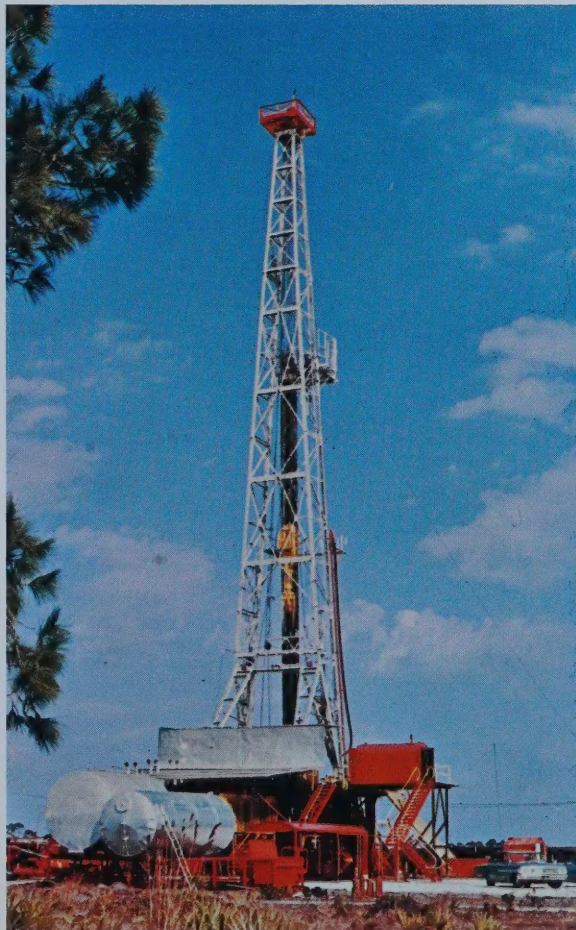
Also, the FPC in 1965 issued its long-awaited decision in the giant Permian Basin area rate case establishing ceiling prices for producers in West Texas and New Mexico. This decision is being contested by producers in the courts.

Hearings on the South Louisiana rate case finally were concluded after four and one-half years, and the examiner's decision is awaited.



**Exploration Refinements.** Increasing use of computers in seismic data processing sharpens exploration techniques.

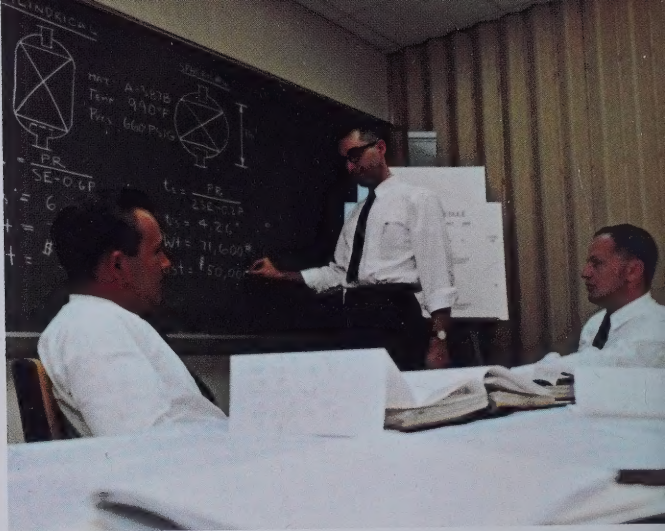
**Rapid Development.** Rig in Sunoco-Felda Field is one of three kept busy developing Sun's 1964 oil discovery in Florida.





**Project Planning.** Engineering group in Philadelphia develops comprehensive plan for modernizing Toledo refinery.

**On Stream at Hook.** New alkylation unit at Marcus Hook refinery boosts capacity for producing high-octane gasoline.





## Refineries Upgraded Product Quality, Improved Efficiency of Operations



**Toledo Expansion.** Construction advances on alkylation unit.

**G**OOD PROGRESS WAS RECORDED during 1965 in Sun's continuing drive to increase the yield of gasoline from crude oil and to upgrade the quality of refined products.

At the same time, the volume of crude oil processed at Sun refineries rose by almost 4 per cent to 93,515,000 barrels. Together, the three refineries—at Marcus Hook, Pa., Toledo, Ohio, and Sarnia, Ontario—were operated at a higher percentage of total capacity than in 1964.

**New processing facilities** at Marcus Hook and Toledo substantially boosted Sun's capacity to produce high-octane gasoline. At Marcus Hook, a \$5,000,000 alkylation plant was completed and placed in operation at mid-year. At Toledo, a fifth reactor was added to the catalytic reformer, and construction began on a \$4,000,000 expansion of the alkylation plant. The new equipment at the latter unit is expected to go on stream in March. It will produce more and higher-quality alkylate, permitting an older polymerization plant at the refinery to be shut down.

A new gas plant and alkylation unit were under construction at Sarnia at year-end. The latter unit will enable the refinery to manufacture 3,600 barrels of alkylate daily, substantially increasing its capability to convert crude oil into gasoline. A depropanizer for stabilizing straight run gasolines is also under construction. The new units are scheduled for completion at the end of 1966.

**Other refining advances** in 1965 included the completion at Marcus Hook of a 1,500 barrels per day hydrotreater to improve the oxidation stability of solvent-refined lubricating oils, and the expansion of two of the refinery's three crude units. These three units now handle the entire refinery's crude requirements. In comparison, 13 units were needed in 1950 to handle the smaller volume of oil then processed by the refinery.

Also, the use of a new type of catalyst in Sun's cracking plants increased gasoline yields while reducing output of distillates.

New expansion and modernization projects announced in 1965 will further increase the efficiency of Sun refineries in coming years. Plans for

modernization of the Toledo refinery were further advanced, and engineering process studies are now under way to determine the necessary equipment. At Marcus Hook, work will start in 1966 on a \$9,000,000 catalytic reformer that will increase production of high-octane gasoline components by nearly 30 per cent. This unit will convert 10,000 barrels daily of light naphtha into hydrocarbons useful in fuel for today's high-compression cars.

Several new projects were initiated to improve information on plant production and inventories at Marcus Hook. One involved installation of analyzers and use of computers to increase both the accuracy and the timeliness of product yield reports from the two catalytic cracking plants. Installation of a system for continuous and automatic collection and feedback of yield data from a catalytic cracking plant, by a computer located 25 miles away in Sun's Philadelphia offices, will be completed in 1966.

**Product quality control** was further improved in 1965 with increased use of process stream analyzers. Facilities were added at Marcus Hook for the rigorous testing of all analyzers before installation to insure successful operation. Also, methods were developed for the rapid, in-place calibration of analyzers, eliminating the need for time consuming work in the laboratory. Now, at the push of a button, some plant operators can be assured that certain products being produced are "on-test."

A unique development in process control was achieved through the use of a reliable and inexpensive analog computer installed on a distillation tower with a complex heat exchange system. Calculations by this computer permit direct control of circulation within the tower, making possible more efficient use of heat and fuel.

Computer programs are also being used extensively to maximize the efficiency of refinery operations and to hold inventories in line with market demand. Specific applications during the year 1965 included the preparation of economic studies involving crude oil evaluation, refinery modernization and gasoline blending.



## Big Tankers Cut Trip Time to New Low; Jumbo Tank Cars Pared Freight Costs

**Twin Tugboats.** Nearing completion at Louisiana shipyard are two tugboats that will deliver products on East Coast.

**Jumbo Tank Cars.** New tank cars pare costs of delivering lubricating oils from Marcus Hook to marketing terminals.



**R**EDUCTIONS IN TANKER TURNAROUND time and the increased use of jumbo railroad tank cars highlighted Sun's 1965 progress in improving the efficiency of transporting crude oil and products.

The average time for a round trip voyage from the Marcus Hook refinery to Texas Gulf Coast and Venezuelan ports was reduced by approximately five hours. The supertanker *S.S. Texas Sun*, equipped with a bulbous bow in 1964 to increase her speed, turned in the finest performance record with 32 round trips. This vessel, her sister ship the *S.S. Pennsylvania Sun*, and the *S.S. Western Sun* handled more than one-half of the 49,450,000 barrels of crude oil delivered to Marcus Hook.

The fine performance of these big vessels enabled the Marine Department in 1965 to place two other tankers exclusively on charter or special service. Two additional ships were chartered out for most of the year.

**New vessels under construction** during the year were two harbor tug boats and two barges. Built at a cost of \$1,600,000, they are scheduled to go into product delivery service early in 1966.

Modernization of Sun's fleet of leased railroad tank cars continued, with the addition of 40 cars of 24,000-gallon capacity. These cars are used to deliver lubricating oils from Marcus Hook to Sun's River Rouge, Mich., terminal and other locations. Previously, the River Rouge terminal was supplied by barge transport, which was cut off by ice in the winter months. Use of the new tank cars has lowered freight costs and at the same time enabled Sun to reduce product inventories at the Michigan terminal.

During 1965 the Traffic Department expanded its electronic data processing system to provide better dissemination of information on freight rates and improved control of the tank car fleet.

In addition, the Department assumed responsibility for shipping materials for Avisun Corporation, an affiliate, and Great Canadian Oil Sands Limited, a subsidiary, to reduce operating costs and to improve transportation efficiency.

Sun's air fleet continued to expand its operations, flying 1,118,000 air miles during 1965.



# Sun Oil Company

## 1965 Annual Report

---

### Financial and Statistical Section

#### Contents

- 12 Consolidated Statement of Income and Stockholders' Equity
- 13 Consolidated Statement of Financial Position
- 14 Accounting and Financial Notes
- 16 Accountants' Report
- 17 Properties, Production and Reserves
- 17 Distribution of 1965 Revenue Dollar
- 18 Ten Year Financial Summary
- 20 Ten Year Operating Summary
- 22 Charting a Decade of Growth

**Special Section:** This Financial and Statistical Section is designed to serve as a convenient reference for significant background information about the operations of Sun Oil Company. It is bound separately and can be removed from the Report for filing and future reference.



(See Accompanying Notes)



# Sun Oil Company and Subsidiaries

## Consolidated Statement of Financial Position

|                                                                                                                                                                           |    | <i>At December 31</i>  |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|------------------------|-----------------------|
| <b>ASSETS</b>                                                                                                                                                             |    | <b>1965</b>            | <b>1964*</b>          |
| <b>CURRENT ASSETS</b>                                                                                                                                                     |    |                        |                       |
| Cash.....                                                                                                                                                                 | \$ | 42,494,000             | \$ 47,630,000         |
| Short Term Investments, at cost.....                                                                                                                                      |    | 129,777,000            | 13,077,000            |
| Accounts and Notes Receivable.....                                                                                                                                        |    | 140,142,000            | 119,242,000           |
| Inventories of Crude Oil and Refined Products.....                                                                                                                        |    | 68,393,000             | 75,718,000            |
| Material and Supplies.....                                                                                                                                                |    | 21,392,000             | 18,174,000            |
| Work in Process.....                                                                                                                                                      |    | 6,739,000              | 7,144,000             |
| Total Current Assets.....                                                                                                                                                 |    | 408,937,000            | 280,985,000           |
| <b>LONG TERM RECEIVABLES AND INVESTMENTS</b>                                                                                                                              |    |                        |                       |
| Notes Receivable from Sale of Properties.....                                                                                                                             |    | 22,037,000             | 24,806,000            |
| Securities of Affiliated Companies, at cost.....                                                                                                                          |    | 45,199,000             | 51,580,000            |
| Other Investments, at cost or less.....                                                                                                                                   |    | 9,747,000              | 4,881,000             |
|                                                                                                                                                                           |    | 76,983,000             | 81,267,000            |
| <b>PROPERTIES, PLANTS AND EQUIPMENT.....</b>                                                                                                                              |    | <b>1,318,444,000</b>   | <b>1,161,371,000</b>  |
| Less Depreciation and Depletion.....                                                                                                                                      |    | 610,007,000            | 576,288,000           |
|                                                                                                                                                                           |    | 708,437,000            | 585,083,000           |
| <b>PREPAID AND DEFERRED CHARGES.....</b>                                                                                                                                  |    | <b>11,426,000</b>      | <b>5,932,000</b>      |
|                                                                                                                                                                           |    | <u>\$1,205,783,000</u> | <u>\$ 953,267,000</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                               |    |                        |                       |
| <b>CURRENT LIABILITIES</b>                                                                                                                                                |    |                        |                       |
| Accounts Payable and Accrued Liabilities.....                                                                                                                             | \$ | 86,451,000             | \$ 78,517,000         |
| Notes and Bonds Payable.....                                                                                                                                              |    | 6,689,000              | 1,647,000             |
| Taxes, other than Income Taxes.....                                                                                                                                       |    | 32,637,000             | 32,137,000            |
| Income Taxes.....                                                                                                                                                         |    | 31,144,000             | 23,337,000            |
| Total Current Liabilities.....                                                                                                                                            |    | 156,921,000            | 135,638,000           |
| <b>LONG TERM DEBT</b>                                                                                                                                                     |    |                        |                       |
| Sun Oil Company                                                                                                                                                           |    |                        |                       |
| Sinking Fund Debentures, 4½%, due November 15, 1990 with annual payments of \$4,000,000, 1970-1989, \$20,000,000 in 1990.....                                             |    | 100,000,000            | —                     |
| Subsidiaries                                                                                                                                                              |    |                        |                       |
| Notes Payable to Banks under credit agreement, 4½% refundable December 31, 1967, into Term Notes, payable in quarterly installments March 31, 1968-December 31, 1974..... |    | 50,000,000             | —                     |
| Convertible Debentures, 6%, due May 15, 1975...                                                                                                                           |    | 11,597,000             | —                     |
| Notes and Bonds Payable.....                                                                                                                                              |    | 465,000                | 2,699,000             |
|                                                                                                                                                                           |    | 162,062,000            | 2,699,000             |
| <b>DEFERRED CREDITS.....</b>                                                                                                                                              |    | <b>29,352,000</b>      | <b>28,879,000</b>     |
| <b>MINORITY INTEREST.....</b>                                                                                                                                             |    | <b>6,245,000</b>       | <b>1,840,000</b>      |
| <b>STOCKHOLDERS' EQUITY.....</b>                                                                                                                                          |    | <b>851,203,000</b>     | <b>784,211,000</b>    |
|                                                                                                                                                                           |    | <u>\$1,205,783,000</u> | <u>\$ 953,267,000</u> |

\*Restated to conform to 1965 presentation

(See Accompanying Notes)



# Accounting and Financial Notes

## Principles of Consolidation

Consistent with past policy, the consolidated financial statements include the accounts of Sun Oil Company and all subsidiaries owned more than 50%. At December 31, 1965 the parent Company's equity in the net assets of the consolidated subsidiaries exceeded the cost of these investments by \$56,359,000, which amount is included in consolidated earnings employed in the business. Net assets at December 31, 1965 include approximately \$148,000,000 applicable to subsidiaries operating outside of the United States, principally in Canada (\$92,000,000) and in Venezuela (\$28,000,000).

Appropriate rates of exchange have been used to convert foreign currency statements to U.S. dollars. The resulting gains or losses upon conversion, which are not significant, are included in consolidated income.

Sun owns a proprietary half-interest in four affiliated companies whose accounts are not included in the consolidated statements: Avisun Corporation, SunOlin Chemical Company, Standard Naphthalene Products Company, Inc., and Mid-Valley Pipeline Company. Sun's financial interest in these four companies at December 31, 1965 was \$45,194,000. The accumulated, combined profits of these companies through the end of 1965 amounted to \$14,926,000 from which Sun has received dividends of \$12,053,000.

## Inventories

Crude oil inventories are valued generally on a last-in first-out pricing method based upon the market prices of crude oil prevailing in the field at the time of production or purchase, plus the cost of transportation to the refineries.

Refined products inventories are valued generally on a last-in first-out pricing method based upon the value of the oils taken out of inventory for refining (as computed above), plus refining costs. Transportation costs from refineries to marketing centers are carried at average costs.

At December 31, 1965, approximately 23% of the value of crude oil and refined products inventories, principally in Canada, is valued at first-in first-out or average cost.

Crude oil and refined products inventories, as

valued on the foregoing bases, are stated at less than market.

Materials and supplies are valued at cost or less, principally on the basis of average cost. Work in process inventories are valued at cost less progress billings.

## Properties, Plants and Equipment—at cost

| Gross Investment                | December 31,             |                          |
|---------------------------------|--------------------------|--------------------------|
|                                 | 1965                     | 1964                     |
|                                 | (Thousands of Dollars)   |                          |
| Production                      | \$ 429,258               | \$ 394,140               |
| Manufacturing                   | 336,499                  | 325,270                  |
| Marketing                       | 309,028                  | 273,107                  |
| Transportation                  | 130,242                  | 128,773                  |
| Mining                          | 72,943                   | 657                      |
| Shipyard and Others             | 40,474                   | 39,424                   |
|                                 | <u>\$1,318,444</u>       | <u>\$1,161,371</u>       |
| Less Depreciation and Depletion | 610,007                  | 576,288                  |
| <b>Net investment</b>           | <u><u>\$ 708,437</u></u> | <u><u>\$ 585,083</u></u> |

Approximately 93% of net investment at the end of 1965 is located in the United States and Canada.

Plant and equipment purchased from Sun Shipbuilding and Dry Dock Company, a subsidiary, is included at cost to Sun Oil Company less depreciation. It has been the consistent policy of the Company to pay this subsidiary the same price for its work as is paid by outside companies for similar work.

## Depreciation, Cost Depletion and Retirements

Depreciation policy, for accounting and tax purposes, is designed to recover on a straight-line basis the cost of properties, plants and equipment during their estimated useful lives. Experience is reviewed from time to time and rates are revised when necessary.

The cost of developed or producing leaseholds is depleted on the basis of crude oil and natural gas produced from the properties leased. In its income tax returns Sun Oil Company deducts percentage depletion when in excess of depletion based upon cost.

The cost of undeveloped leaseholds cancelled or surrendered during the year is customarily charged to income. This charge amounted to \$9,235,000 in 1965 and \$8,365,000 in 1964.



### Capital Expenditures and Intangible Development Costs

| Capital Expenditures         | 1965                   | 1964              |
|------------------------------|------------------------|-------------------|
| U.S. and Canada              | (Thousands of Dollars) |                   |
| Production                   | \$ 40,585              | \$ 35,538         |
| Manufacturing                | 13,619                 | 9,755             |
| Marketing                    | 41,790                 | 41,987            |
| Transportation               | 2,651                  | 2,216             |
| Mining                       | 72,286                 | 7                 |
| Shipyard and Others          | 776                    | 728               |
|                              | <u>\$ 171,707</u>      | <u>\$ 90,231</u>  |
| Other                        |                        |                   |
| Production                   | 12,654                 | 7,056             |
| Marketing                    | 40                     | 43                |
|                              | <u>\$ 184,401</u>      | <u>\$ 97,330</u>  |
| Intangible Development Costs |                        |                   |
| U.S. and Canada              | \$ 31,220              | \$ 26,637         |
| Other                        | 5,807                  | 5,430             |
|                              | <u>\$ 37,027</u>       | <u>\$ 32,067</u>  |
| Total                        | <u>\$ 221,428</u>      | <u>\$ 129,397</u> |

### Intangible Development Costs

Consistent with past policy, the cost of drilling wells to develop new sources of crude oil and natural gas is charged to income as incurred. Included in intangible development costs is dry hole expense of \$12,756,000 in 1965 and \$12,766,000 in 1964.

### Contingent Liabilities and Commitments

Sun is contingently liable for guarantees of loans payable by associated companies and others approximating \$25,000,000 at December 31, 1965. Management considers that losses, if any, from these guarantees would not be significant.

Included in Costs and Expenses as rents and royalties are amounts of \$26,095,000 in 1965 and \$26,169,000 in 1964 which are considered an indication of future annual rentals. Approximately one-half of these amounts, reflecting service station rentals, are recovered as rental income. Royalties are an insignificant portion of these amounts.

Rents include all rentals due for the year, principally on real property under lease, and cover the mineral rights on properties being explored for crude oil and natural gas, service stations, offices, warehouses and rights of way.

When lessors' shares of crude oil and natural gas, produced under the terms of the leases, are

acquired from the lessors they are considered to be purchases.

Other than rentals mentioned above, the Company does not have any significant long term lease commitments.

### Taxes

Direct taxes, excise taxes collected from customers and payroll taxes withheld from employees are shown in the following table. Total taxes of \$360,227,000 in 1965 exceeded combined profits, wages and benefits by \$80,660,000.

| Paid or Accrued                                          | 1965                   | 1964             |
|----------------------------------------------------------|------------------------|------------------|
|                                                          | (Thousands of Dollars) |                  |
| Capital Stock and Franchise                              | \$ 1,690               | \$ 1,847         |
| Social Security                                          | 5,040                  | 4,811            |
| Crude Oil and Natural Gas                                |                        |                  |
| Production                                               | 35,654                 | 34,844           |
| Ad Valorem                                               | 12,646                 | 11,558           |
| Import Duties, Transportation, Excise, and Miscellaneous | 3,186                  | 3,421            |
| Gasoline, Lubricating Oil, Use and Sales                 | 1,912                  | 1,792            |
|                                                          | <u>\$ 60,128</u>       | <u>\$ 58,273</u> |
| Domestic and Foreign Income Taxes                        | 28,570                 | 20,070           |
|                                                          | <u>\$ 88,698</u>       | <u>\$ 78,343</u> |
| Collected and Paid                                       |                        |                  |
| Excise Taxes collected from Customers                    | \$246,128              | \$241,102        |
| Taxes collected from Employees                           | 25,401                 | 24,609           |
|                                                          | <u>\$271,529</u>       | <u>\$265,711</u> |
| Total                                                    | <u>\$360,227</u>       | <u>\$344,054</u> |

Taxes collected from customers are not included in the consolidated statement of income.

### Earnings Employed in the Business

Earnings employed in the business at December 31, 1965 include earnings of pipe line subsidiaries approximating \$7,000,000 which are not available for dividends.

### Pension Plan

On June 22, 1965 the Board of Directors of Sun Oil Company approved a contributory funded pension plan which became effective at the close of 1965. The plan, which has been approved by the Internal Revenue Service, provides retirement benefits to employees of the Company and certain



## Accounting and Financial Notes (CONTINUED)

employees of some subsidiaries. At the annual meeting of stockholders on April 19, 1966, the stockholders will be asked to ratify the new Retirement Plan. In adopting this plan the Company assumed financial responsibility for past service liability amounting to approximately \$200,000,000 which will be amortized over a 30-year period. Additional actuarial studies will be made early in 1966 to reflect the plan as finally adopted to determine the amount of the Company's annual contribution to the plan to cover current and past service liability. It was originally estimated that this obligation would approximate \$18,000,000 annually. This includes the pensions of employees already retired under the previous informal, non-contributory retirement plan, which the Company has been charging against current income for many years. It is the opinion of Management that the formal, funded plan will stabilize the cost to the Company of group life insurance and the generally higher retirement benefits for employees.

In addition, several subsidiaries of the Company have adopted separate retirement plans covering their employees. At December 31, 1965, unfunded past service costs under these plans amounted to approximately \$3,750,000.

### Consolidated Statement of Source and Application of Funds

| Funds Were Derived From                                | 1965                   | 1964             |
|--------------------------------------------------------|------------------------|------------------|
|                                                        | (Thousands of Dollars) |                  |
| Net Income                                             | \$ 84,835              | \$ 68,507        |
| *Recovery of Capital<br>(Depreciation and Retirements) | 57,221                 | 57,705           |
| Borrowings                                             | 161,597                | —                |
| Other                                                  | 5,979                  | 5,308            |
| Working Capital                                        | —                      | 8,249            |
| Total Funds Available                                  | <u>\$309,632</u>       | <u>\$139,769</u> |

### Funds Were Used For

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| *Capital Expenditures            | \$184,401        | \$ 97,330        |
| Cash Dividends Paid              | 15,923           | 15,160           |
| Repayment of Borrowed Money      | 2,234            | 1,226            |
| Purchase of Treasury Stock       | 1,920            | 887              |
| Affiliates and Other Investments | (1,515)          | 25,166           |
| Working Capital                  | 106,669          | —                |
| Total Funds Used                 | <u>\$309,632</u> | <u>\$139,769</u> |

|                                                   |                  |                  |
|---------------------------------------------------|------------------|------------------|
| *Not including Intangible<br>Development Costs of | <u>\$ 37,027</u> | <u>\$ 32,067</u> |
|---------------------------------------------------|------------------|------------------|

### Accountants' Report

BOARD OF DIRECTORS,  
SUN OIL COMPANY,  
PHILADELPHIA.

We have examined the consolidated financial statements of Sun Oil Company and subsidiaries for the year ended December 31, 1965. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We also made a similar examination of the financial statements for the year ended December 31, 1964.

In our opinion, the accompanying consolidated statements of financial position, income and stockholders' equity and source and application of funds present fairly the financial position of Sun Oil Company and subsidiaries at December 31, 1965 and 1964, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Philadelphia, Penna.  
February 15, 1966

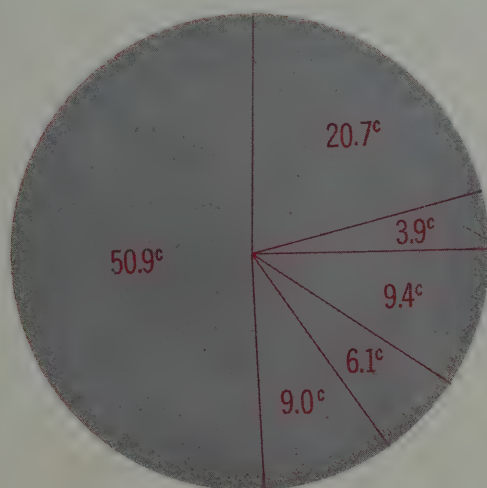
Lybrand, Ross Bros. & Montgomery  
Certified Public Accountants



## Properties, Production, Reserves

|                        | Properties 12/31/65                 |            | Net Production, 1965                      |                                                         |
|------------------------|-------------------------------------|------------|-------------------------------------------|---------------------------------------------------------|
|                        | (Thousands of Acres)<br>Undeveloped | Producing  | Crude and<br>Condensate<br>(Thous. Bbls.) | Natural Gas Del'd<br>from Leases<br>(Million Cubic Ft.) |
| <b>U.S. and Canada</b> |                                     |            |                                           |                                                         |
| Texas                  | 2,350                               | 241        | 21,580                                    | 189,289                                                 |
| Louisiana              | 490                                 | 38         | 8,009                                     | 101,990                                                 |
| Mississippi            | 526                                 | 11         | 3,044                                     | 6,776                                                   |
| Oklahoma               | 505                                 | 43         | 1,558                                     | 17,032                                                  |
| Michigan               | 194                                 | 11         | 1,072                                     | 1,883                                                   |
| Kentucky               | 68                                  | 1          | 858                                       | —                                                       |
| Florida                | 355                                 | 4          | 586                                       | 61                                                      |
| New Mexico             | 402                                 | 5          | 355                                       | 2,474                                                   |
| Colorado               | 64                                  | 11         | 44                                        | 1,055                                                   |
| Other states           | 1,896                               | 15         | 1,422                                     | 1,532                                                   |
| Canada                 | 2,302                               | 55         | 3,198                                     | 7,762                                                   |
| <b>Total</b>           | <b>9,152</b>                        | <b>435</b> | <b>41,726</b>                             | <b>329,854</b>                                          |
| <b>Foreign</b>         |                                     |            |                                           |                                                         |
| Venezuela              | 20                                  | 3          | 34,614                                    | —                                                       |
| Australia              | 7,264                               | —          | —                                         | —                                                       |
| Pakistan               | 848                                 | —          | —                                         | —                                                       |
| Bahamas                | 676                                 | —          | —                                         | —                                                       |
| Middle East            | 503                                 | —          | —                                         | —                                                       |
| North Sea              | 450                                 | —          | —                                         | —                                                       |
| <b>Total</b>           | <b>9,761</b>                        | <b>3</b>   | <b>34,614</b>                             | <b>—</b>                                                |
| <b>Total</b>           | <b>18,913</b>                       | <b>438</b> | <b>76,340</b>                             | <b>329,854</b>                                          |

Proved underground reserves of crude and condensate in the United States and Canada at December 31, 1965, were estimated to be 601,000,000 barrels (net). Similar net reserves of natural gas were estimated at 5.6 trillion cubic feet. Proved underground reserves of crude and condensate were estimated to be 349,000,000 barrels (gross) in Venezuela.



### Distribution of Sun's 1965 Revenue Dollar

|                                              |              |
|----------------------------------------------|--------------|
| Materials, Supplies and Services....         | 50.9         |
| Wages and Benefits.....                      | 20.7         |
| Intangible Development Costs.....            | 3.9          |
| Direct Taxes.....                            | 9.4          |
| Depreciation, Depletion,<br>Retirements..... | 6.1          |
| Net Income.....                              | 9.0          |
| <b>Total.....</b>                            | <b>100.0</b> |



# Ten Year Financial Summary • Sun Oil Company

|                                            |                                                                                         | 1965    | 1964    | 1963    |
|--------------------------------------------|-----------------------------------------------------------------------------------------|---------|---------|---------|
| Income                                     | <b>Revenues—excluding excise taxes</b><br>(Thousands of \$)                             |         |         |         |
|                                            | Sales and Other Operating Income.....                                                   | 925,243 | 838,295 | 844,142 |
|                                            | Other Income.....                                                                       | 16,793  | 11,802  | 11,008  |
|                                            | Total.....                                                                              | 942,036 | 850,097 | 855,150 |
|                                            | <b>Net Income</b> (Thousands of \$).....                                                | 84,835  | 68,507  | 61,216  |
|                                            | <b>Return on Revenues (%)</b> .....                                                     | 9.0     | 8.1     | 7.2     |
| Common Stock                               | <b>Full Shares Common Stock</b>                                                         |         |         |         |
|                                            | Outstanding 12/31 (Thousands).....                                                      | 16,852  | 15,928  | 15,164  |
|                                            | Earned per Full Common Share (\$).....                                                  | 5.03    | 4.30    | 4.04    |
|                                            | <b>Dividends Paid on Common Stock</b>                                                   |         |         |         |
|                                            | Cash (Thousands of \$).....                                                             | 15,923  | 15,160  | 14,399  |
|                                            | Common Stock                                                                            |         |         |         |
|                                            | Per Cent.....                                                                           | 6       | 5       | 6       |
|                                            | Number of Shares Distributed (Thousands).....                                           | 979     | 777     | 878     |
|                                            | <b>Number of Common Stockholders</b> .....                                              | 31,162  | 30,363  | 29,908  |
| Assets                                     | <b>Net Assets 12/31</b> (Thousands of \$).....                                          | 851,203 | 784,211 | 730,593 |
|                                            | U.S. and Canada (%).....                                                                | 93      | 94      | 94      |
|                                            | Other (%).....                                                                          | 7       | 6       | 6       |
|                                            | <b>Return on Average Net Assets (%)</b> .....                                           | 10.4    | 9.0     | 8.6     |
| Capital and<br>Exploratory<br>Expenditures | <b>Capital Expenditures</b> (Thousands of \$)                                           |         |         |         |
|                                            | Production                                                                              |         |         |         |
|                                            | Leases.....                                                                             | 26,984  | 20,087  | 11,975  |
|                                            | Wells and Equipment.....                                                                | 26,255  | 22,507  | 16,846  |
|                                            | Total.....                                                                              | 53,239  | 42,594  | 28,821  |
|                                            | Manufacturing.....                                                                      | 13,619  | 9,755   | 6,172   |
|                                            | Marketing.....                                                                          | 41,830  | 42,030  | 27,760  |
|                                            | Transportation.....                                                                     | 2,651   | 2,216   | 1,097   |
|                                            | Mining.....                                                                             | 72,286  | 7       | 23      |
|                                            | Shipyard and Others.....                                                                | 776     | 728     | 667     |
|                                            | Total.....                                                                              | 184,401 | 97,330  | 64,540  |
|                                            | <b>Intangible Development Costs</b> .....                                               | 37,027  | 32,067  | 25,874  |
|                                            | Total.....                                                                              | 221,428 | 129,397 | 90,414  |
|                                            | U.S. and Canada (%).....                                                                | 92      | 90      | 97      |
|                                            | Other (%).....                                                                          | 8       | 10      | 3       |
|                                            | <b>Expenditures for Exploration and<br/>Development of Production</b> (Thousands of \$) |         |         |         |
|                                            | Capital Expenditures.....                                                               | 48,339  | 32,777  | 25,217  |
|                                            | Intangible Development Costs.....                                                       | 37,027  | 32,067  | 25,874  |
|                                            | Other Expenses Including Lease Rentals....                                              | 29,862  | 29,773  | 26,846  |
|                                            | Total.....                                                                              | 115,228 | 94,617  | 77,937  |
|                                            | U.S. and Canada (%).....                                                                | 82      | 89      | 95      |
|                                            | Other (%).....                                                                          | 18      | 11      | 5       |
| Taxes                                      | <b>Taxes</b> (Thousands of \$)                                                          |         |         |         |
|                                            | Operating Taxes.....                                                                    | 60,128  | 58,273  | 54,504  |
|                                            | Domestic and Foreign Income Taxes.....                                                  | 28,570  | 20,070  | 18,760  |
|                                            | Paid or Accrued by Company.....                                                         | 88,698  | 78,343  | 73,264  |
|                                            | Collected from Customers.....                                                           | 246,128 | 241,102 | 226,212 |
|                                            | Collected from Employees.....                                                           | 25,401  | 24,609  | 26,711  |
|                                            | Total.....                                                                              | 360,227 | 344,054 | 326,187 |
| Wages<br>and Benefits                      | <b>Salaries, Wages and Benefits</b> (Thousands of \$)                                   |         |         |         |
|                                            | Oil Division.....                                                                       | 162,501 | 157,325 | 154,593 |
|                                            | Shipbuilding and Repair.....                                                            | 32,230  | 28,688  | 24,092  |
|                                            | Total.....                                                                              | 194,731 | 186,013 | 178,685 |



| 1962                                                                                                                          | 1961                                                                                                                        | 1960                                                                                                                           | 1959                                                                                                                          | 1958                                                                                                                          | 1957                                                                                                                           | 1956                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| 794,026<br>10,245<br><u>804,271</u><br>53,195<br>6.6                                                                          | 775,642<br>6,651<br><u>782,293</u><br>49,787<br>6.4                                                                         | 749,767<br>5,659<br><u>755,426</u><br>49,273<br>6.5                                                                            | 735,697<br>10,568<br><u>746,265</u><br>42,844<br>5.7                                                                          | 721,773<br>2,259<br><u>724,032</u><br>32,061<br>4.4                                                                           | 771,620<br>7,099<br><u>778,719</u><br>47,492<br>6.1                                                                            | 731,412<br>2,411<br><u>733,823</u><br>56,160<br>7.7                                                                         |
| 14,493<br>3.67                                                                                                                | 13,829<br>3.60                                                                                                              | 13,047<br>3.78                                                                                                                 | 12,326<br>3.48                                                                                                                | 11,739<br>2.73                                                                                                                | 11,397<br>4.17                                                                                                                 | 10,752<br>5.22                                                                                                              |
| 13,822<br>5<br>691<br>29,406                                                                                                  | 13,047<br>6<br>783<br>28,455                                                                                                | 12,319<br>6<br>739<br>28,392                                                                                                   | 11,738<br>5<br>587<br>27,375                                                                                                  | 11,397<br>3<br>342<br>25,954                                                                                                  | 10,752<br>6<br>645<br>24,340                                                                                                   | 10,144<br>6<br>609<br>22,417                                                                                                |
| 692,697<br>93<br>7<br>7.9                                                                                                     | 654,559<br>92<br>8<br>7.8                                                                                                   | 617,819<br>92<br>8<br>8.2                                                                                                      | 581,704<br>90<br>10<br>7.6                                                                                                    | 550,598<br>91<br>9<br>5.9                                                                                                     | 529,935<br>91<br>9<br>9.3                                                                                                      | 493,195<br>98<br>2<br>11.9                                                                                                  |
| 11,350<br>20,005<br><u>31,355</u><br>28,197<br>33,968<br>1,047<br>4<br>1,236<br><u>95,807</u><br>28,705<br>124,512<br>95<br>5 | 13,906<br>20,395<br><u>34,301</u><br>21,943<br>27,525<br>988<br>6<br>5,069<br><u>89,832</u><br>30,110<br>119,942<br>94<br>6 | 14,243<br>22,009<br><u>36,252</u><br>10,070<br>16,264<br>6,554<br>28<br>3,937<br><u>73,105</u><br>33,490<br>106,595<br>94<br>6 | 15,957<br>29,120<br><u>45,077</u><br>9,601<br>21,288<br>16,970<br>105<br>923<br><u>93,964</u><br>38,733<br>132,697<br>92<br>8 | 16,919<br>17,884<br><u>34,803</u><br>6,674<br>18,513<br>7,759<br>25<br>2,908<br><u>70,682</u><br>30,084<br>100,766<br>91<br>9 | 39,993<br>19,728<br><u>59,721</u><br>7,917<br>19,058<br>1,891<br>53<br>4,219<br><u>92,859</u><br>39,961<br>132,820<br>77<br>23 | 27,541<br>19,127<br><u>46,668</u><br>9,642<br>14,152<br>7,244<br>53<br>217<br><u>77,976</u><br>36,711<br>114,687<br>91<br>9 |
| 27,266<br>28,705<br>27,025<br><u>82,996</u><br>90<br>10                                                                       | 29,720<br>30,110<br>28,220<br><u>88,050</u><br>90<br>10                                                                     | 31,038<br>33,490<br>29,732<br><u>94,260</u><br>91<br>9                                                                         | 38,952<br>38,733<br>30,215<br><u>107,900</u><br>87<br>13                                                                      | 31,395<br>30,084<br>32,695<br><u>94,174</u><br>85<br>15                                                                       | 56,113<br>39,961<br>28,428<br><u>124,502</u><br>76<br>24                                                                       | 42,421<br>36,711<br>27,789<br><u>106,921</u><br>91<br>9                                                                     |
| 51,585<br>13,200<br><u>64,785</u><br>214,830<br>25,369<br>304,984                                                             | 39,941<br>6,900<br><u>46,841</u><br>194,323<br>25,065<br>266,229                                                            | 37,320<br>5,400<br><u>42,720</u><br>194,255<br>23,372<br>260,347                                                               | 30,483<br>11,600<br><u>42,083</u><br>189,500<br>21,970<br>253,553                                                             | 25,712<br>(6,200)<br><u>19,512</u><br>167,972<br>20,618<br>208,102                                                            | 26,876<br>8,752<br><u>35,628</u><br>166,296<br>21,363<br>223,287                                                               | 26,149<br>20,836<br><u>46,985</u><br>155,107<br>19,437<br>221,529                                                           |
| 149,249<br>23,475<br><u>172,724</u>                                                                                           | 145,839<br>25,663<br><u>171,502</u>                                                                                         | 140,725<br>22,253<br><u>162,978</u>                                                                                            | 138,586<br>18,014<br><u>156,600</u>                                                                                           | 130,864<br>18,261<br><u>149,125</u>                                                                                           | 134,392<br>19,106<br><u>153,498</u>                                                                                            | 126,955<br>15,236<br><u>142,191</u>                                                                                         |



# Ten Year Operating Summary • Sun Oil Company

|                                  |                                                                                    | 1965    | 1964    | 1963    |
|----------------------------------|------------------------------------------------------------------------------------|---------|---------|---------|
| Employees                        | <b>Average Number of Employees</b>                                                 |         |         |         |
|                                  | Oil Division.....                                                                  | 17,245  | 17,116  | 17,025  |
|                                  | Shipbuilding and Repair.....                                                       | 3,909   | 3,515   | 3,058   |
|                                  | Total.....                                                                         | 21,154  | 20,631  | 20,083  |
|                                  | <b>Stock Purchase Plan (Matured 6/30)</b>                                          |         |         |         |
|                                  | Number of Employees Participating in Liquidation.....                              | 9,203   | 9,849   | 10,070  |
|                                  | Shares of Sun Stock Distributed (Thousands)                                        | 254     | 262     | 212     |
| Exploration<br>and<br>Production | <b>Net Production (Thousands of Bbls.)</b>                                         |         |         |         |
|                                  | Crude Oil and Condensate                                                           |         |         |         |
|                                  | U.S. and Canada.....                                                               | 41,726  | 40,000  | 38,717  |
|                                  | Other.....                                                                         | 34,614  | 34,814  | 31,861  |
|                                  | Total.....                                                                         | 76,340  | 74,814  | 70,578  |
|                                  | Natural Gas Liquids from Gas Processed...                                          | 6,657   | 6,585   | 6,178   |
|                                  | Total Crude and Liquids.....                                                       | 82,997  | 81,399  | 76,756  |
|                                  | <b>Natural Gas Delivered from Leases</b>                                           |         |         |         |
|                                  | U.S. and Canada (Millions of Cubic Ft.) .....                                      | 329,854 | 318,727 | 304,303 |
|                                  | <b>Net Wells Completed</b>                                                         |         |         |         |
|                                  | Oil.....                                                                           | 189     | 163     | 146     |
|                                  | Gas.....                                                                           | 65      | 49      | 41      |
|                                  | Dry.....                                                                           | 175     | 189     | 160     |
|                                  | Total.....                                                                         | 429     | 401     | 347     |
|                                  | <b>Net Producing Wells 12/31</b>                                                   |         |         |         |
|                                  | Oil.....                                                                           | 4,660   | 4,573   | 4,412   |
|                                  | Gas.....                                                                           | 739     | 730     | 680     |
|                                  | Total.....                                                                         | 5,399   | 5,303   | 5,092   |
|                                  | <b>Producing Acreage (Thousands).....</b>                                          | 438     | 415     | 380     |
|                                  | <b>Undeveloped Acreage (Thousands).....</b>                                        | 18,913  | 18,641  | 9,859   |
| Refining                         | <b>Crude Refined at Sun Refineries</b><br>(Thousands of Bbls.)                     |         |         |         |
|                                  | Marcus Hook, Pa.....                                                               | 49,827  | 50,424  | 50,146  |
|                                  | Toledo, Ohio.....                                                                  | 33,406  | 31,145  | 31,544  |
|                                  | Sarnia, Ont.....                                                                   | 10,282  | 8,718   | 8,494   |
|                                  | Total.....                                                                         | 93,515  | 90,287  | 90,184  |
|                                  | <b>Crude Refined as a % of Rated Capacity.....</b>                                 | 93      | 89      | 88      |
|                                  | <b>Crude Refined for Sun's Account</b><br>Venezuela (Thousands of Bbls.).....      | 5,665   | 1,985   | —       |
| Transportation                   | <b>Shipments through Sun Owned or Operated Pipe Lines (Millions of Bbl. Miles)</b> |         |         |         |
|                                  | U.S. and Canada                                                                    |         |         |         |
|                                  | Crude Oil.....                                                                     | 5,960   | 5,069   | 4,708   |
|                                  | Refined Products.....                                                              | 7,962   | 7,797   | 7,486   |
|                                  | Total.....                                                                         | 13,922  | 12,866  | 12,194  |
|                                  | Other                                                                              |         |         |         |
|                                  | Crude Oil.....                                                                     | 2,801   | 2,613   | 2,225   |
|                                  | <b>Tankers Owned</b>                                                               |         |         |         |
|                                  | Coastal.....                                                                       | 7       | 7       | 7       |
|                                  | Ocean.....                                                                         | 10      | 10      | 10      |
|                                  | Tonnage (Thousands of Tons).....                                                   | 300     | 300     | 300     |
| Marketing                        | <b>Sales of Refined Products (Thousands of Bbls.)</b>                              |         |         |         |
|                                  | Gasoline.....                                                                      | 58,654  | 57,431  | 54,364  |
|                                  | Middle Distillates.....                                                            | 24,709  | 20,757  | 20,594  |
|                                  | Residual Fuel Oils.....                                                            | 8,759   | 8,554   | 9,242   |
|                                  | Lubricants, Chemicals and Specialties .....                                        | 15,238  | 13,030  | 12,544  |
|                                  | Total.....                                                                         | 107,360 | 99,772  | 96,744  |
|                                  | U.S. and Canada (%).....                                                           | 93      | 97      | 97      |
|                                  | Other (%).....                                                                     | 7       | 3       | 3       |
|                                  | <b>Retail Outlets Marketing Branded Motor Products (U.S. and Canada).....</b>      | 10,436  | 10,364  | 10,053  |

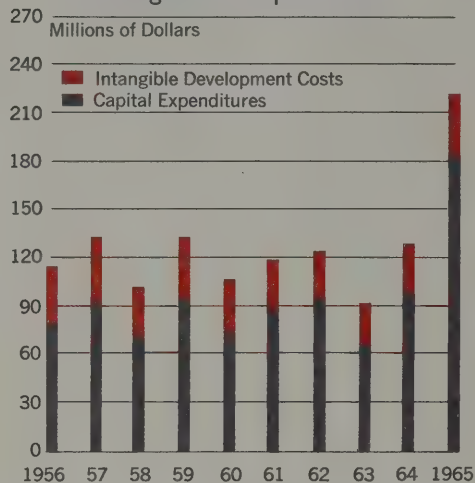


| 1962          | 1961          | 1960          | 1959          | 1958          | 1957          | 1956          |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 17,339        | 17,021        | 17,292        | 17,375        | 17,610        | 18,481        | 18,409        |
| <u>3,112</u>  | <u>3,392</u>  | <u>3,079</u>  | <u>2,625</u>  | <u>2,842</u>  | <u>2,952</u>  | <u>2,397</u>  |
| 20,451        | 20,413        | 20,371        | 20,000        | 20,452        | 21,433        | 20,806        |
| 10,237        | 10,167        | 10,092        | 9,827         | 9,493         | 9,155         | 8,572         |
| 200           | 163           | 157           | 161           | 180           | 150           | 130           |
| 37,754        | 36,775        | 36,563        | 36,341        | 34,409        | 40,140        | 40,578        |
| <u>27,314</u> | <u>15,605</u> | <u>13,241</u> | <u>6,440</u>  | <u>1,419</u>  | <u>—</u>      | <u>—</u>      |
| 65,068        | 52,380        | 49,804        | 42,781        | 35,828        | 40,140        | 40,578        |
| <u>6,011</u>  | <u>5,902</u>  | <u>5,073</u>  | <u>4,453</u>  | <u>4,203</u>  | <u>4,135</u>  | <u>4,159</u>  |
| 71,079        | 58,282        | 54,877        | 47,234        | 40,031        | 44,275        | 44,737        |
| 298,898       | 275,338       | 273,694       | 239,194       | 204,437       | 196,080       | 191,623       |
| 171           | 174           | 199           | 198           | 186           | 229           | 340           |
| 37            | 58            | 52            | 79            | 55            | 64            | 55            |
| <u>104</u>    | <u>123</u>    | <u>119</u>    | <u>160</u>    | <u>120</u>    | <u>130</u>    | <u>148</u>    |
| 312           | 355           | 370           | 437           | 361           | 423           | 543           |
| 4,390         | 4,435         | 4,492         | 4,441         | 4,432         | 4,442         | 4,553         |
| <u>632</u>    | <u>594</u>    | <u>572</u>    | <u>541</u>    | <u>426</u>    | <u>402</u>    | <u>475</u>    |
| 5,022         | 5,029         | 5,064         | 4,982         | 4,858         | 4,844         | 5,028         |
| <u>367</u>    | <u>371</u>    | <u>355</u>    | <u>338</u>    | <u>298</u>    | <u>295</u>    | <u>275</u>    |
| 11,768        | 13,769        | 16,766        | 18,909        | 18,770        | 19,299        | 13,311        |
| 47,265        | 45,937        | 46,653        | 46,848        | 47,122        | 51,217        | 54,747        |
| <u>29,388</u> | <u>28,314</u> | <u>29,882</u> | <u>31,897</u> | <u>30,306</u> | <u>34,297</u> | <u>34,770</u> |
| <u>6,965</u>  | <u>6,260</u>  | <u>5,921</u>  | <u>6,065</u>  | <u>5,518</u>  | <u>6,345</u>  | <u>5,551</u>  |
| 83,618        | 80,511        | 82,456        | 84,810        | 82,946        | 91,859        | 95,068        |
| 84            | 81            | 83            | 86            | 84            | 93            | 101           |
| —             | —             | —             | —             | —             | —             | —             |
| 4,202         | 4,712         | 4,911         | 4,530         | 4,757         | 4,906         | 4,973         |
| <u>7,260</u>  | <u>7,075</u>  | <u>7,052</u>  | <u>7,033</u>  | <u>6,604</u>  | <u>7,183</u>  | <u>6,734</u>  |
| 11,462        | 11,787        | 11,963        | 11,563        | 11,361        | 12,089        | 11,707        |
| 2,059         | 1,161         | 1,038         | —             | —             | —             | —             |
| 8             | 8             | 8             | 8             | 8             | 8             | 8             |
| <u>12</u>     | <u>12</u>     | <u>12</u>     | <u>14</u>     | <u>14</u>     | <u>15</u>     | <u>15</u>     |
| 337           | 337           | 337           | 337           | 302           | 313           | 313           |
| 51,382        | 47,220        | 47,949        | 49,342        | 49,131        | 50,020        | 50,735        |
| <u>19,593</u> | <u>17,381</u> | <u>17,811</u> | <u>18,577</u> | <u>18,801</u> | <u>20,993</u> | <u>20,766</u> |
| <u>9,587</u>  | <u>6,678</u>  | <u>7,430</u>  | <u>7,797</u>  | <u>8,346</u>  | <u>9,300</u>  | <u>10,898</u> |
| 11,920        | 10,464        | 10,365        | 9,884         | 9,187         | 9,687         | 9,078         |
| <u>92,482</u> | <u>81,743</u> | <u>83,555</u> | <u>85,600</u> | <u>85,465</u> | <u>90,000</u> | <u>91,477</u> |
| 97            | 99            | 99            | 99            | 99            | 99            | 99            |
| 3             | 1             | 1             | 1             | 1             | 1             | 1             |
| 9,993         | 9,939         | 9,516         | 9,317         | 9,097         | 9,039         | 9,052         |

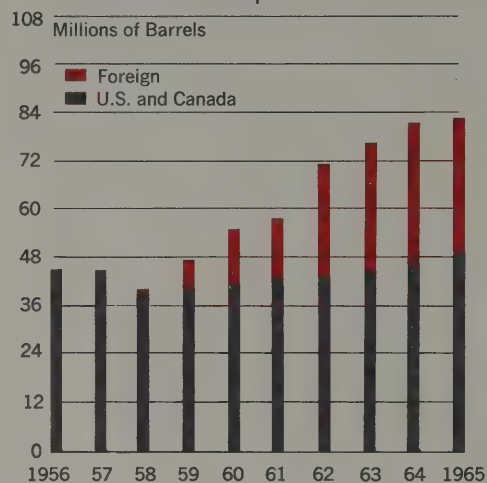


# Charting a Decade of Growth

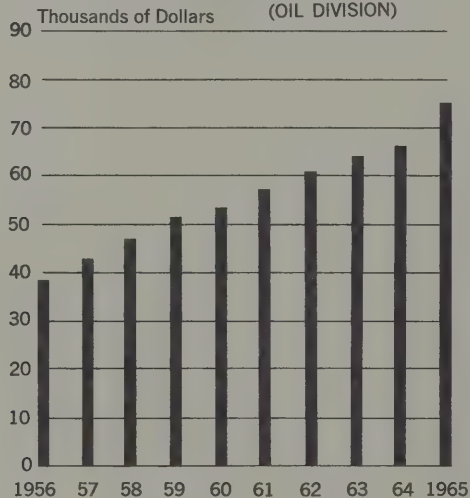
## Capital Expenditures and Intangible Development Costs



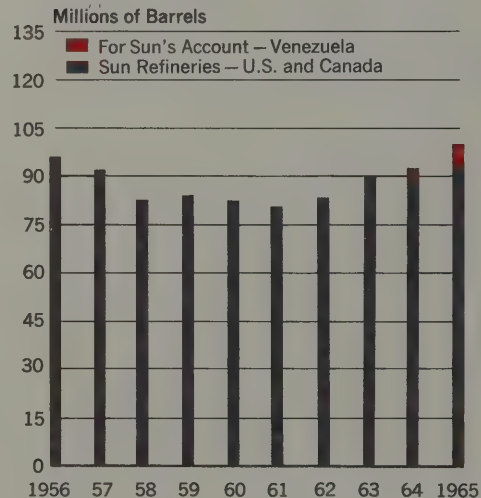
## Net Production of Crude Oil and Natural Gas Liquids



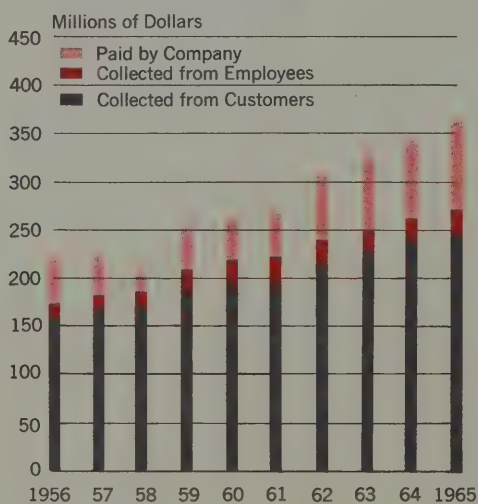
## Plant and Equipment Per Employee (OIL DIVISION)



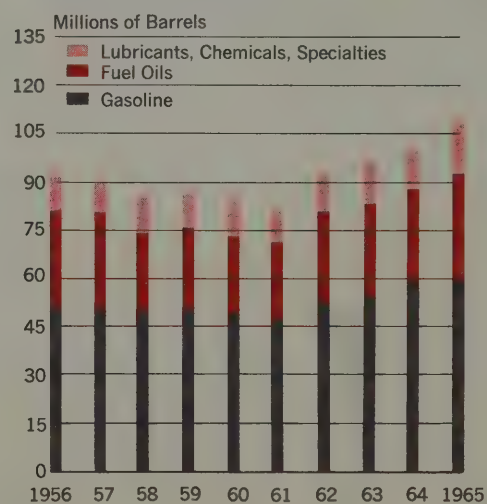
## Crude Oil Refined



## Taxes Collected and Paid



## Refined Product Sales





## Rising Sales of Higher-Octane Fuels Helped Boost Volume to Peak Level

**S**ALES OF REFINED PRODUCTS topped the one hundred million barrel mark in 1965 for the first time in Sun's history. The total, 107,360,000 barrels, was up almost 8 per cent from 1964.

Blue Sunoco gasoline sales reached record levels. The volume of Grade 190 sold, on which the return to the Company is lowest, declined slightly but sales of higher-octane blends, ranging up to Grade 260, increased markedly. This accomplishment, coupled with the recovery of gasoline prices to more normal levels, resulted in significantly improved profits.

An investment of \$41,800,000 was made for new and expanded marketing facilities. Largest expenditures were for new service stations at promising locations.

**Construction of new stations** along the Federal Interstate Highway system continued. By year-end, 129 stations in 14 states had been completed along this ever-growing network of superhighways and 29 more were under construction. In addition, a sizable number of properties were acquired for future development.

Considerable progress was made in the rehabilitation and modernization of older stations. Add-a-bay construction and renovations at many Sun outlets made them comparable to three-bay stations of new design.

Introduced in 1965 were gasoline filters on all Custom Blending pumps as part of a continuing program to improve product quality. In addition, a carburetor cleaner additive was blended into Sunoco gasolines to help keep vital operating parts of the engine free of deposits. The filters and carburetor cleaner improvements, and Sunoco dry gasoline, were promoted by the most ambitious advertising campaign in the Company's history.

**Credit card business expanded** at a record pace again in 1965. In the past five years, Sun has tripled the number of its credit customers. The consolidation at Wayne, Pa., of all billing operations resulted in more efficient handling.

Chiefly as a convenience to Sunoco credit customers, agreement was reached with Union Oil Company of California through which Sunoco

**New Up, Old Down.** Older stations were replaced with modern outlets at same location with no break in customer service.

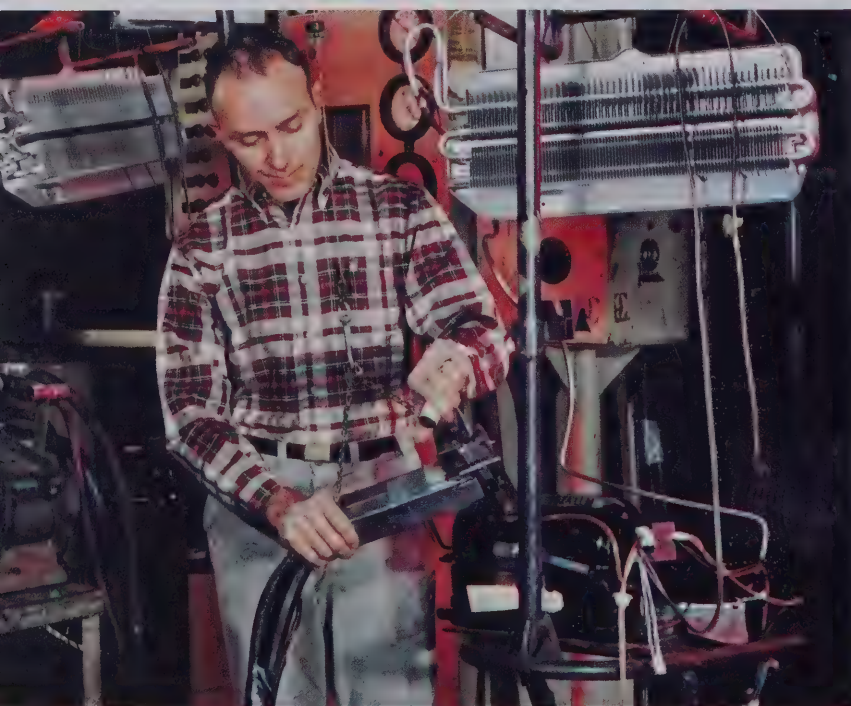
**Truck Center Opens.** New Sunoco outlet at Cleveland, Ohio, is designed especially to meet needs of highway carriers.





**Sprucing Up Stations.** During 1965 an extensive modernization program improved appearance of older Sunoco outlets.

**Lifetime Oil Fill.** High quality refrigeration oil goes into the compressor units of refrigerators at customer's plant.



cards will be honored at 4,500 Union stations in 12 Western states. Union credit cards will be honored at Sunoco stations in 19 states.

**Modernization of bulk plants** continued with completion of high-speed loading facilities at five locations. Fuel oil storage was expanded in Allentown, Tamaqua and Pittsburgh, all in Pennsylvania.

A major improvement at River Rouge, Mich., was the installation of new tank car unloading facilities. The new equipment enables the district to take advantage of reduced transportation costs through the use of 24,000-gallon tank cars. These new facilities represent the first step toward the complete modernization of the River Rouge complex for blending industrial lubricants. As part of this project, and as a customer service, a new laboratory for the quality testing of blended products has been opened.

To strengthen Sun's position in the lower Middle Atlantic states, a branch regional office was opened in Charlotte, N.C., and the sales office at Roanoke, Va., was upgraded from branch to district status.

**Fifteen new distributors** for heating oil were added, some of them in areas where Sunoco heating fuel was not previously available. For the first time, Sunoco oil burners and water heaters were made available for sale on a limited basis.

Sales of tires, batteries and auto accessories by Sunoco dealers advanced to record levels for the second consecutive year.

Two new industrial products were put on the market—a wear-resistant hydraulic oil and a multi-purpose grease for textile manufacturers. These were added to an increasing number of specialty products Sun supplies to industry in the United States and abroad. Sales of grease, lubricating oils and processing oils broke records.

Also, a 20-week training program for industrial salesmen was inaugurated during the year.

A pilot test was begun in the Middle Atlantic Region on the compilation by computer of industrial product information which will help direct sales personnel toward more profitable marketing opportunities and provide management with the tools for better planning and control.



## New Uses for Oil, Broad Energy Survey Highlighted 1965 Research Advances

**S**UN SCIENTISTS DEVELOPED a number of promising new uses for petroleum, upgraded the quality of existing petroleum products, and carried forward an evaluation of potential new energy sources in a broadened 1965 research program.

U.S. patents issued to Sun in 1965 numbered 103, raising the total of unexpired patents to 1,200. Foreign patent awards included 70 in Canada and 99 in other countries. Reflecting the Company's growing interest in international operations is the fact that Sun now has over 600 unexpired foreign patents and over 600 applications on file.

**Among new patents awarded** to the Company were several concerning a group of new compounds called adamantanes. These may find uses in applications ranging from anti-viral pharmaceuticals to new plastics.

Development of the new Sun-Thermal process for conversion of liquid petroleum into fuel gas was advanced in 1965 with the completion of pilot work. Sales potential of this new low-cost process on a world-wide basis is promising.

A contract for Sun's research and engineering groups to provide technical assistance to an Indian company was approved by the Indian Government in late 1965. Under the contract, Sun will act as collaborator with Power Cables Pvt. Ltd. for the design and initial operation of a transformer oil manufacturing plant to be constructed outside of Bombay. Sun will receive royalties over a 10-year period for providing technical assistance.

**Research on motor products** led to improvements in both gasoline and lubricating oils. Use of new detergent and oxidation inhibitor additives upgraded the quality of Sun's multi-grade motor oils, and a new carburetor detergent further improved Blue Sunoco gasolines.

Other phases of product research during 1965 resulted in the development of new hydraulic oils with high wear resistance, new railroad Diesel fuels, premium refrigeration oils and grinding oils with improved performance.

Production Research and Development groups, in cooperation with the Research and Engineering Department at Philadelphia and Marcus Hook,



**Pilot Plant.** Using solvent extraction process, Sun researchers develop high viscosity lubricant for motor oil use.

**Catalyst Research.** Scientist carries out basic research experiment on properties of catalyst used in refining process.







**Home Heating Advance.** New Sunoco oil burner designed for maximum efficiency undergoes adjustment in laboratory.

**New Retirement Plan.** Sun men and women were acquainted with provisions of new retirement plan at group meetings.

**Evening School Grows.** Employees discuss the variety of new courses offered by Sun-sponsored evening school in 1965.

spearheaded a corporate drive to evaluate the energy potentials of shales, coals and heavy oils.

Research on thermal recovery of heavy oils was advanced with the initiation of recovery projects in Kansas and Colorado. This technique utilizes heat to stimulate the flow of oils too viscous to be recovered by other means.

**Increasing utilization of computers** by the Production Department led to the construction of a computer center at the Richardson Laboratory near Dallas, Texas. Telecommunication facilities will link field locations directly to a new computer to be delivered early in 1966. The computer will be used for geological, engineering and other technical applications. Important advances also have been made in digital processing of seismic data.

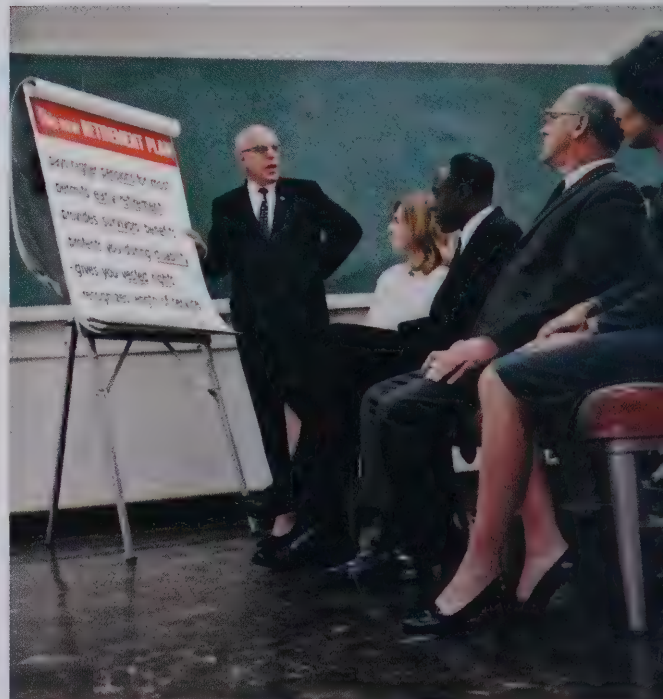
Nearing completion at year-end was a computer study of producing reservoirs in Lake Maracaibo, Venezuela. Purpose of the study is to achieve maximum oil recovery while holding water production to a minimum.

Clastic and carbonate rock seminars were conducted for many Sun geologists, and other seminars and training programs were arranged to keep technical personnel in the forefront of the latest developments in their fields.

**The Computation Center** in Philadelphia experienced a sharp rise in the use of its facilities during 1965. To meet the Company's steadily growing need for computer facilities, the Center will replace its present equipment with a computer of increased capability early in 1966. The expansion of activities in 1965 included use of the Center's facilities for new accounting applications.

Economic research activities in 1965 were geared primarily to Sun's growing interest in international operations. Research studies were designed to assist management in evaluating producing properties, as well as to provide information required for the profitable expansion of foreign markets.

In domestic marketing, a mathematical model was developed for evaluating the economic factors which determine volume potential for proposed service station sites. Expected benefits from this project include improved investment decisions.





## Employees Shared in Sun's 1965 Gains Through Wage, Benefit Improvements

**G**AINS IN WAGES and benefit programs coupled with expanded educational and developmental opportunities marked 1965 as a year of significant progress for Sun employees. And Sun men and women, in turn, contributed substantially to the Company's progress through the effective utilization of new facilities provided by a record investment program.

Wage and benefit payments to Oil Division employees rose by over 3 per cent to a new high of \$162,500,000. The increase reflected in part a 4.5 per cent wage increase granted on October 1 to employees subject to wage and hour provisions of the Fair Labor Standards Act.

**A new retirement program** highlighted changes in employee benefit plans. Replacing an informal plan which had been in existence since the 1920's, the new contributory program went into effect at the close of the year. It incorporates a funded pension plan and a revised group life insurance plan. The revised program benefits both employees and the Company by broadening retirement benefits and establishing a sounder financial base for both pension payments and group life insurance.

Some 900 employees between ages 55 and 65 chose to retire early under a special offer made prior to the start of the new program.

Sun men and women continued to broaden their ownership interests in the Company through participation in the Stock Purchase Plan. Under the 35th Plan, which matured on June 30, a total of 9,200 employees received some 254,000 shares of stock with a market value at that time of about \$16,000,000. The 40th Plan opened on July 1 with 79 per cent of eligible employees participating.

**The need for continuing education** to keep abreast of new advances in knowledge and rapid technological change was stressed again in 1965. A record 645 employees participated in the Educational Assistance Plan, under which Sun pays up to 75 per cent of tuition and related costs for study at accredited colleges and universities. Payments to employees under this Plan totaled just under \$90,000 for the year.

Also, a growing number of employees took

part in Company-sponsored night school courses ranging from economic analysis to petroleum processing. In other phases of its educational activities, Sun provided financial aid or other assistance to colleges and universities, and awarded 12 National Merit scholarships to children of employees. This raised to 41 the number of such scholarships awarded by the Company.

**Training and development programs** for employees at all levels continued during the year. Included was the Company's second executive development conference, which brought together 27 high-level managers for an intensive two-week study of social and economic forces affecting Company operations.

Along with improving the capabilities of present employees, Sun also stepped up its college recruiting programs for technical and administrative personnel. Obtaining qualified graduates became increasingly difficult as demand continued to outpace supply.

In its continuing drive to promote efficiency and hold the line on costs, the Company extended a comprehensive study of procedures and methods to additional locations during 1965. Initial phases of the study have demonstrated that substantial economies can be achieved through the modernization of equipment, methods and procedures.

**A policy of equal opportunities** for all was reaffirmed by Sun when it joined other leading U.S. firms in participating in the "Plans for Progress" program. Sponsored by the President's Committee on Equal Employment Opportunity, the program has as its objective the assurance of equal competitive opportunities for all persons regardless of race, religion or national origin.

Sun's Medical Division expanded its services during 1965, and completed plans for medical programs for new operating locations. The Division won national recognition for its employee health program in the form of an Industrial Medical Society award for excellence. Continued improvement in the Company's safety record was sought through a seminar which brought together safety specialists from all major Sun locations.



**Western Australia.** Night and day the drill bit goes deeper in initial test for Sun and associates in St. George Range.

**Athabasca Advance.** Vast oil sands processing project in Alberta was nearly 30 per cent completed at close of 1965.





## Subsidiaries Extended Search for Oil, Advanced Construction at Athabasca

**S**HARPLY EXPANDING FOREIGN oil exploration operations and accelerated construction of the huge Athabasca oil sands mining and processing project highlighted a busy year for Sun's subsidiary companies. Major operating developments during 1965 are summarized in the reports below.

**Venezuelan Sun Oil Company** continued to produce large volumes of oil in 1965 while further developing its Lake Maracaibo holdings. Total production of 34,614,000 barrels fell just short of the 1964 record, despite production restrictions imposed by the Venezuelan Government.

In a stepped-up drilling program, the Company completed 31 wells and handled remedial work on 11 others in Blocks 1 and 12. A significant deep development well was drilled on Block 1 and completed as a producer from the Cretaceous limestone, an older geological formation than those previously developed. Two new flow stations with a total capacity of 36,000 barrels daily were constructed on Block 1 to handle the new production.

**Iranian Sun Oil Company** and associates recorded a Persian Gulf discovery on their first try when an exploratory test brought in the Sassan Field in late December. Further drilling in this field by Lavan Petroleum Company, with which Iranian Sun is associated, is scheduled for 1966, following completion of an exploratory well on another of the three tracts held by the group.

**Other foreign production subsidiaries** further advanced their exploration programs during 1965. On the Arabian side of the Persian Gulf, a second onshore well in which Dubai Sun Oil Company has an interest was non-commercial. Additional drilling offshore is scheduled for 1966.

Pakistan Sun Oil Company and associates completed their third unsuccessful offshore test. Seismic data are being further evaluated.

In Australia, drilling is under way in the Fitzroy Basin and exploration is continuing in the Carnarvon Basin. Australian Sun Oil Company has a one-quarter interest in both of these operations.

The Arpet group, of which North Sea Sun Oil Company Limited is a member, advanced its plans for drilling in the North Sea off the coast of Great

Britain. Drilling is scheduled to begin in 1966 when a self-elevating drilling platform is completed.

Deutsche Sun Oil Company, a newly-formed company, participated with others in 1965 in a preliminary seismic survey of North Sea acreage off the German coast.

**Sun Oil Company Limited** posted higher earnings during 1965 as prices strengthened in the latter half of the year.

A total of 19 new service stations were built in the Provinces of Ontario and Quebec, and northward expansion continued. Four heating oil distributorships were purchased and sales contracts were signed with five others. Five of these nine also handle gasoline. Sales advanced by almost 9 per cent in comparison to an 8 per cent gain in overall Canadian petroleum demand.

Crude oil processed at the Sarnia Refinery rose to a record high of 10,282,000 barrels. Expansion of the refinery continued with the start of construction of a gas plant, alkylation unit and depropanizer. These facilities will cost \$5,000,000.

Sun Limited moved closer to full integration of operations with successful bids on potential producing properties in Alberta. One well was completed as a producer in 1965.

**Great Canadian Oil Sands Limited**, a subsidiary of Sun Oil Company Limited, moved its Athabasca oil sands project ahead substantially on schedule. Near year-end, 1,200 construction workers were on the job at the plant site and the project was almost 30 per cent completed. The deadline for full operation is September 30, 1967.

The pace of construction accelerated rapidly during the second half of the year following completion of a \$3,300,000 bridge across the Athabasca River at Fort McMurray. It connects with a new 20-mile road to the plant site.

The foundation for the coking plant, which will be the world's largest, was completed in mid-summer. Six giant drums for this unit are being assembled at the plant site, and two of them have been installed. The building that will house the boilers and 65,000 kilowatt generators has also been completed. At year-end, erection of storage tanks total-



**Mideast Success.** Sun silhouettes rig drilling first Persian Gulf test, a discovery, for group including Iranian Sun Oil.



**Shipyards Crew.** Rudder horn for cargo carrier takes shape at shipyard fabrication shop as ship construction expands.



**Oceanic Research.** Pressure hull for oceanic research submarine being built by Sun Ship nears completion at Chester.



ing 1,000,000 barrels in capacity was more than 85 per cent finished, and work was progressing on foundations for the extraction plant.

Some 128 miles of the 266-mile pipeline to Edmonton are in place, with final completion scheduled for May, 1966.

When completed, the Athabasca facilities will produce 45,000 barrels daily of synthetic crude from the oil sands. To reduce air pollution, 300 tons per day of sulfur also will be recovered.

**Sun Shipbuilding & Dry Dock Company** in 1965 delivered four cargo vessels and advanced the design work on five others for United States Lines, launched two cargo ships and laid the keels for four others on order for Grace Line, completed a 50,000-barrel barge for Sun Oil, and further expanded its ship repair work.

This higher level of operations moved the shipyard into a profit position in 1965 for the first time since the year 1961.

Early in 1966, arrangements were completed with American Export Isbrandtsen Lines for a joint venture which will design, finance, build and operate a 26-knot, roll-on, roll-off cargo vessel. The ship will be powered by twin gas turbines similar to those used on jet aircraft. It is scheduled for delivery in 1967.

The first of two 260-inch solid-propellant rocket motor cases built by the shipyard was test-fired in 1965. A thrust of 3,500,000 pounds made it the Free World's most powerful single rocket.

The shipyard further diversified operations when it began construction of a submarine pressure hull for Lockheed Missiles and Space Corporation. The vessel will be used for oceanic research. Work is also in progress for the Naval Marine Engineering Laboratory on a test chamber that will simulate pressures found at 26,000-foot depths.

**Sun Pipe Line Company** boosted both crude oil and product throughput sharply in 1965 while increasing the capacity and upgrading the condition of its lines. Crude oil deliveries increased by almost 9 per cent and product shipments advanced by close to 7 per cent.

Most of the increase in crude oil volume oc-

curred on the East Texas trunk line. A five-mile segment of this 10-inch line was being replaced at year-end with a 12-inch line, increasing capacity by 60,000 barrels a month.

During 1965, the reconditioning and coating of the original 665-mile product line from Marcus Hook to Cleveland and Syracuse, built in 1930 and 1931, was largely completed. The line has been reconditioned in sections over a period of years without interfering with operations.

Automated equipment installed during 1965 at Sun's Newark, N.J., marketing terminal permits unattended, automatic delivery of gasoline and fuel oil to separate tanks.

**Sperry-Sun Well Surveying Company** boosted its survey and rental income in 1965 but dropped a bit below 1964 in total net income. The decline was due to non-recurring profits received in 1964.

Highlighting achievements during 1965 was the development of a Peewee Gyroscopic Instrument, measuring only 1½ inches in diameter, for use in surveying small bore-holes. The Company also developed with Cordero Mining a highly sensitive mercury vapor detector, and cooperated with Sun's Production Research laboratory in re-designing the Sun Precision Subsurface Pressure Gauge and in building additional units.

**Cordero Mining Company** profits were curtailed in 1965 by a fire that required flooding the mine near McDermitt, Nev., in October. Operations were resumed in December. Improved earnings are anticipated if mercury prices remain stable.

Cordero is also searching for other minerals in a number of western states, including Alaska.

Experiments with the mercury vapor detector for locating minerals continued to show favorable results during the year 1965.

**Foreign marketing subsidiaries** continued to expand operations during 1965. British Sun Oil Company Limited, Netherlands Sun Oil Company and Sun Oil Company (Belgium) S.A. recorded gains in sales of lubricating oils.

Sun Oil International, Inc., was activated during the year as the company with over-all responsibility for foreign marketing operations.



## Affiliated Firms Expanded Operations, Improved Efficiency in Busy 1965

**H**IGHER VOLUMES OF BUSINESS were recorded in 1965 by each of four affiliated companies in which Sun owns a proprietary half-interest.

Major operating developments in 1965 are summarized in the reports below.

**Mid-Valley Pipeline Company** made a substantial contribution to consolidated net income through dividend payments in 1965. Crude oil deliveries from the Southwest to points in Kentucky and Ohio, including Sun's Toledo refinery, increased by almost 8 per cent over 1964.

Looping of the 20-inch line between Hebron, Ky., and Lima, Ohio, to increase capacity was undertaken late in the year. Also, new metering equipment was installed during 1965 at all receiving points to increase the efficiency of crude oil measurement and handling.

**SunOlin Chemical Company**, owned jointly with Olin Mathieson Chemical Corporation, experienced in 1965 its best year since the company was established in 1958. Both revenues and net income increased substantially.

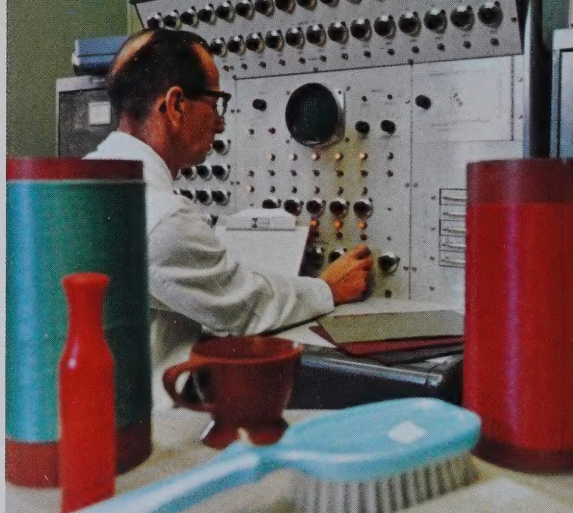
Cash advances made by the parent companies in earlier years were repaid during 1965. Also, it is anticipated that the tax loss carried forward from prior years will be depleted in 1966.

Key operating developments included the start of tube-trailer shipments of ultra-high purity hydrogen (99.99 per cent) to customers within 250 miles of the Claymont, Del., plant. Also, capacity of the urea plant was expanded by 25 per cent to 100,000 tons annually by the removal of bottle-necks in processing facilities.

Additional office space was completed during the year, virtually doubling the facilities available to the company.

**Avisun Corporation**, owned equally with FMC Corporation, boosted sales sharply in 1965 to win a larger share of the fast-growing polypropylene market. Anticipation of further sales gains, coupled with increasing efficiency, promise to move the company into a profit-making position in 1966.

A new copolymer film introduced during the year won wide acceptance for packaging textiles for major chain store distribution. Progress was



**Computer Coloring.** Avisun Corporation uses computer to color match polypropylene to shades needed by customers.

**Pumping Station.** Mid-Valley's Longview, Texas, station is starting point for movement of crude oil to Toledo refinery.

made also in expanding the use of polypropylene in components for dishwashers, washing machines, television sets and automotive parts.

Manufacturing facilities at New Castle, Del., were enlarged to permit increased production of colored and specialty polymers. Also completed in 1965 was the first phase of a \$1,000,000 program to increase production of Olefane copolymer packaging films.

International sales continued to increase. Avisun's Japanese licensee, Chisso Corporation, announced plans to double its manufacturing facilities. This will raise capacity to 57,000,000 pounds a year.

Patchogue-Plymouth, an Avisun affiliate, continued as the leading manufacturer of synthetic carpet backing. Almost every major carpet company now uses its Poly-Bac polypropylene backing. The market is expected to continue to grow, and manufacturing capacity is being expanded.

**Standard Naphthalene Products Company**, owned equally by Sun and Standard Chlorine Chemical Company, continued in 1965 to process into consumer products and sell large amounts of high-purity naphthalene produced by Sun.



## Directors and Officers

J. HOWARD PEW, Chairman, Board of Directors  
ROBERT G. DUNLOP, Director and President  
JNO. G. PEW, Director and Senior Vice-President  
CLARENCE H. THAYER, Director and Senior Vice-President  
WILBURN T. ASKEW, Director and Vice-President  
CHARLES L. BOYLE, Director and Vice-President  
DARWIN W. FERGUSON, Director and Vice-President  
THOMAS S. HORROCKS, Director and Vice-President  
CHALMER G. KIRKBRIDE, Director and Vice-President  
KINGSLEY V. SCHROEDER, Director and Vice-President  
JOSEPH T. WILSON, JR., Director and Secretary-Treasurer  
DONALD P. JONES, Director and Comptroller  
ELMER R. BRADLEY, Director  
SAMUEL B. ECKERT, Director  
WALTER C. PEW, Director  
JOHN P. LEECH, Assistant Secretary-Treasurer  
WILLIAM S. WOODS, JR., Assistant Secretary-Treasurer  
JOHN H. MCWILLIAMS, Assistant Secretary  
JOSEPH R. LAYTON, Assistant Comptroller  
FRANCIS A. LE CATES, Assistant Comptroller  
CHARLES A. PFAHLER, Assistant Comptroller

---

### ■ GENERAL OFFICES:

1608 Walnut Street  
Philadelphia, Pennsylvania 19103

### ■ REGISTRARS:

Bankers Trust Company, New York and  
Girard Trust Bank, Philadelphia

### ■ TRANSFER AGENTS:

The Chase Manhattan Bank, New York and  
Fidelity-Philadelphia Trust Company, Philadelphia

### ■ ANNUAL MEETING:

Tuesday, April 19, 1966, 2:30 p.m., Sun Center,  
Feltonville, Delaware County, Pennsylvania





SUN OIL COMPANY  
1608 Walnut Street  
Philadelphia, Pennsylvania 19103



Discover America Best...By Car

